

**Internal Revenue Service**

**Department of the Treasury**

District  
Director

Date: JAN 12 1993

Person to Contact:

Telephone Number:

Refer Reply To:

Dear Sir or Madam:

We have completed our consideration of your application for exemption under section 501(c)(4) of the Internal Revenue Code.

You were formed to maintain and benefit the common properties and areas within an industrial development known as [REDACTED]. The park consists of about [REDACTED] acres containing [REDACTED] businesses. You were formed in [REDACTED], but did not become operational until [REDACTED]. More specifically, your purposes are listed in your organizing document as follows:

FIRST: To enforce, either in its own name or in the name of any other owner within the park any or all property restrictions which may have been heretofore, or may hereafter be, imposed upon any of the land in said park, either in the form as originally placed thereon, or as modified subsequently thereto.

SECOND: To provide for the plowing or removal of snow from the sidewalks and the streets.

THIRD: To care for, protect and replant trees, shrubbery and grass on all parkways, streets and in other public places.

FOURTH: To mow, care for, and maintain parkings in front of vacant and other property and cut and remove weeds and grass from such parkings, vacant property or other places; to pick up and remove therefrom loose material, trash and rubbish of all kinds, and to do any other things necessary or desirable to keep such vacant and unimproved property neat in appearance and in good order.

[REDACTED]

FIFTH: To provide such lights as the Association may deem advisable on streets, parks, parkings, gateways, entrances or other features, and in other public or semi-public places.

SIXTH: To provide, at suitable locations, receptacles for the collection of rubbish and for the disposal of such rubbish as its collected.

SEVENTH: To provide for the maintenance of recreational areas, gateways, entrances, drinking fountains, streams and other ornamental features now existing or which may hereafter be erected or created in said park in any public street or park, or on any land set aside for the general use of the owners in the park, or to which all of such owners have access and the use thereof; and also to provide for the maintenance of natural water courses within the park.

EIGHTH: To exercise such control over easements as it may acquire from time to time.

NINTH: To exercise such control over streets as may be within its powers including the cleaning of streets, gutters, sidewalks and pedestrian ways and the erection and maintenance of street signs.

TENTH: To provide means for adequate fire protection and special police service for the park.

ELEVENTH: To acquire and own the title to such real estate as may be reasonably necessary in order to carry out the purposes of the Association, and to pay taxes on such real estate as may be so used by it, as well as such taxes as may be assessed against land in public or semi-public places.

Member businesses are charged an assessment on a pro-rata basis according to the square footage of the property they own. Membership is mandatory for all businesses in the industrial park.

Your activities include: maintaining signage which identifies the industrial park, providing mowing and landscaping for the entrance to the park and the vacant lots, maintaining parking lots within the park, including sweeping, trash removal and paint striping, and snow removal within the park. Your plans at the time you became operational also included new signage and landscaping for the park.

You also have the power and authority to enforce covenants and restrictions within the industrial park development.

Section 501(c)(4) of the Internal Revenue Code provides exemption for:

"Civic Leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare..."


Section 1.501(c)(4)-1(a)(2)(i) of the Income Tax Regulations provides that:

"An organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterment and social improvements."

Revenue Ruling 75-286, 1975-2 C.B. 210 holds that an organization with membership limited to the residents and businesses within a city block and formed to preserve and beautify the public areas in the block qualified for exemption under section 501(c)(4). The areas beautified were between the sidewalks and the street. Support was from contributions and fundraisers. Activities included providing funds to the city to plant trees and picking up litter in the streets.

Rather than primarily benefiting the general welfare of the community, we believe your activities and operations primarily benefit the industrial park and its member businesses. Maintaining signage, maintaining and cleaning parking lots, and snow removal are activities that many businesses must engage in and pay for. You do so collectively rather than individually. While there may be some benefit to the general community through your maintaining your common areas and property, we believe the far greater benefit is to the industrial park and the businesses therein. Your activities serve to enhance the value of the park, the businesses within and to promote their economic welfare.

We believe your operations are distinguishable from those of the organization described in Revenue Ruling 75-286 (supra). In your case, membership is not voluntary and you are supported by mandatory assessments rather than donations. Your membership is composed of only the occupants of a particular business development unlike the membership of the organization described in Revenue Ruling 75-286 (supra), which included the unrelated residents and businesses of a city block. In that case, it could not be said that the organization's activities only benefitted a single private interest.

  
Accordingly, because we have determined that you are not primarily engaged in promoting in some way the common good and general welfare of the people of the community, but primarily serve private economic interests, tax-exempt status under section 501(c)(4) of the Code is denied. You should file federal income tax returns.

If you agree with these conclusions or do not wish to file a written protest, please sign and return Form 6018 in the enclosed self-addressed envelope as soon as possible.

If you do not agree with these conclusions, you may, within 30 days from the date of this letter, file in duplicate a brief of the facts, law, and argument that clearly sets forth your position. If you desire an oral discussion of the issue, please indicate this in your protest. The enclosed Publication 892 gives instructions for filing a protest.

If you do not file a protest with this office within 30 days of the date of this report or letter, this proposed determination will become final.

If you have any further questions, you may contact the person whose name, number and address are shown at the top of this letter.

Sincerely,

  
District Director

Enclosures:  
Publication 892  
Form 6018